

FINANCIAL STATEMENTS

**TOWNSHIP OF GARDEN
DELTA COUNTY, MICHIGAN**

FOR THE YEAR ENDED MARCH 31, 2008

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ANDERSON, TACKMAN & COMPANY, PLC

CERTIFIED PUBLIC ACCOUNTANTS

OFFICES IN MICHIGAN AND WISCONSIN

Kristine P. Berhow, CPA, Principal
Alan M. Stotz, CPA, Principal
Raymond B. LaMarche, CPA, Principal
Erkki M. Peippo, CPA, PC, Principal

Kevin C. Pascoe, CPA
Laura L. Schwalbach, CPA

INDEPENDENT AUDITOR'S REPORT

Township Board
Township of Garden
Delta County, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of Township of Garden, as of and for the year ended March 31, 2008, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Garden Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Township of Garden as of March 31, 2008, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages 2 through 7 and 21 through 24, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township of Garden's basic financial statements. The schedules listed as supplemental information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Anderson, Tackman & Company P.C.

Certified Public Accountants

September 19, 2008

MANAGEMENT DISCUSSION AND ANALYSIS (UNAUDITED)

Our discussion and analysis of Garden Township's financial performance provides an overview of the Township's financial activities for the year ended March 31, 2008. Please read it in conjunction with the Township's financial statements, which begin on page 8.

The Garden Township's discussion and analysis is designed to: (a) assist the reader in focusing on significant financial issues; (b) provide an overview of the township's financial activity; (c) identify changes in the township's financial position (its ability to address the next and subsequent year challenges); (d) identify any material deviations from the approved budget; and (e) identify any issues or concerns.

FINANCIAL HIGHLIGHTS

- Net assets for the Township were reported at \$1,079,160.
- The Township's expenses for the year totaled \$236,645, while revenues from all sources totaled \$250,912, resulting in an increase in net assets of \$14,267.
- The General Fund reported an increase in fund balance of \$17,218 (or 12%) compared to an increase of \$10,262 (or 7%) in 2006.

USING THIS REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and Statement of Activities (on pages 8 and 9) provide information about the activities of the Township as a whole and present a longer term view of the Township's finances. The fund financial statements start on page 10. For governmental activities, these statements tell how services were financed in the short term as well as what remains for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements by providing information about the Township's most significant funds. The remaining statement provides financial information about activities for which the Township acts solely as a trustee or agent for the benefit of those outside of the Township.

Reporting the Township as a whole

Statement of Net Assets and the Statement of Activities

Our analysis of the Township as a whole begins on page 4. One of the most important questions asked about the Township's finances; "Is the Township, as a whole, better off or in worse condition as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the Township as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. These two statements report the Township's net assets and changes in them. You can think of the Township's net assets- the difference between assets and liabilities- as one way to measure the Township's financial health, or *financial position*. Over time, *increases or decreases* in the Township's net assets are one indicator of whether its financial health is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the Township's property tax base to assess the *overall financial health* of the Township.

MANAGEMENT DISCUSSION AND ANALYSIS (continued):

In the Statement of Net Assets and the Statement of Activities, activity can be described as follows:

- Governmental activities - Most of the Township's basic services are reported here including legislative, public safety, public works, recreation and cultural and general government. Property taxes and state shared revenues make up the majority of revenue for these activities.

Reporting the Township's Most Significant Funds

Fund Financial Statements

Our analysis of the Township's major funds begins on page 6. The fund financial statements begin on page 10 and provide detailed information on the most significant funds - not the Township as a whole. Some funds are required to be established by State law, and by bond covenants. However, the Township Board of Trustees may establish other funds to help it control and manage money for particular purposes or to show that it is meeting legal requirements for certain taxes, grants, and other money. The Township's has one type of fund - governmental.

- *Governmental funds* - Most of the Township's services are reported in governmental funds which focus on how money flows into and out of those funds and the balances that are left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can be readily converted into cash. The governmental fund statements provide a detailed short-term view of the Township's general government operations and the basic services it provides. Governmental fund information helps you to determine whether there are more or fewer financial resources that can be spent in the near future to finance the Township's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and Statement of Activities) and governmental funds in a reconciliation which follows the fund financial statements.

The Township as a Trustee

The Township is the trustee, or *fiduciary*, for tax receipts and other collections, which are collected for other agencies and held for a periodic payment to those agencies. The Township's fiduciary activities are reported in a separate Statement of Fiduciary Net Assets on page 14. We exclude these funds from the Township's other financial statements because the Township cannot use these assets to finance its operations. The Township is responsible for ensuring that the assets reported in these funds are used for their intended purpose.

MANAGEMENT DISCUSSION AND ANALYSIS (continued):

The Township as a Whole

The Township's net combined assets increased by \$14,267 in 2008, as compared to a \$40,182 increase in 2007.

Table 1
Net Assets

	Governmental Activities	
	2008	2007
Assets:		
Current and others assets	\$ 362,804	\$ 367,230
Capital assets (net)	688,862	734,825
Total Assets	<u>\$ 1,051,666</u>	<u>\$ 1,102,055</u>
Liabilities:		
Current liabilities	\$ 9,780	\$ 20,054
Long-term debt outstanding	17,175	17,108
Total Liabilities	<u>\$ 26,955</u>	<u>\$ 37,162</u>
Net Assets:		
Invested in capital assets, net of related debt	\$ 662,755	\$ 702,953
Restricted for:		
Expendable:		
Hiawatha Nat'l Forest Road	14,832	42,732
Unrestricted	347,124	319,208
Total Net Assets	<u>\$ 1,024,711</u>	<u>\$ 1,064,893</u>

Net assets of the Township's governmental activities stood at \$1,079,160. Unrestricted net assets, the part of net assets that could be used to finance the day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements stood at \$333,904.

MANAGEMENT DISCUSSION AND ANALYSIS (continued):

Table 2
Changes in Net Assets

	Governmental Activities	
	2008	2007
Revenues:		
Program Revenues:		
Charges for services	\$ 23,054	\$ 29,919
General Revenues:		
Property taxes	160,812	169,794
State revenue sharing	61,796	61,311
Grants	5,250	6,733
Total Revenues	<u>250,912</u>	<u>267,757</u>
Program Expenses:		
Legislative	2,778	1,680
General government	81,229	80,908
Public safety	46,802	40,431
Public works	81,045	86,178
Recreation and culture	2,499	5,436
Interest	1,566	843
Other	20,726	12,099
Total Program Expenses	<u>236,645</u>	<u>227,575</u>
Increase (decrease) in net assets	14,267	40,182
Net assets, beginning	<u>1,064,893</u>	<u>1,024,711</u>
Net assets, ending	<u>\$ 1,079,160</u>	<u>\$ 1,064,893</u>

Revenues for the Township's governmental activities totaled \$250,912, while expenses were \$236,645. The excess of revenues over expenses was \$14,267. Table three below reflects the cost of each of the Township's four largest activities; general government, public safety, public works, and other, as well as each program's net cost (total cost less revenues generated by the activities). The net cost shows the financial burden that each function placed on the taxpayers.

Table 3
Government Activities

	Total Cost of Services 2008	Net Cost of Services 2008
General government	\$ 81,229	\$ 78,564
Public safety	46,802	42,369
Public works	81,045	75,050
Other	20,726	18,624
Totals	<u>\$ 229,802</u>	<u>\$ 214,607</u>

MANAGEMENT DISCUSSION AND ANALYSIS (continued):

THE TOWNSHIP'S FUNDS

The focus of the governmental funds of the Township is to provide information on near-term inflows, outflows and balances in spendable resources. The fund information is useful to determine short-term financing requirements and can be used to measure the Township's net resources available for spending at the end of the fiscal year.

For the current fiscal year the Township's governmental funds reported total fund balance of \$384,844, of which \$384,844 is unreserved.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At fiscal year ended March 31, 2008, the Township had \$711,424, net of accumulated depreciation, invested in a variety of capital assets including land and improvements, buildings and improvements, equipment and furniture, and vehicles. (See table 4 below):

Table 4
Capital Assets at Year-End
(Net of Accumulated Depreciation)

Land	\$ 275,770
Buildings	91,267
Transfer station land improvements	3,011
Furniture and equipment	21,147
Transfer station vehicles	80,575
Fire department vehicles	<u>239,654</u>
Total	<u><u>\$ 711,424</u></u>

DEBT

At year-end the Township had \$17,108 in notes outstanding.

Table 5
Outstanding Debt at Year-End

	<u>2008</u>
Note Payable:	
Transfer station truck	<u><u>\$ 17,108</u></u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The Township Board management will consider many factors when setting the fiscal year budget, tax rates and fees that will be charged for services.

The Township is partnering with Big Bay de Noc School and applying for a grant to put in an outdoor classroom at the park at Garden Corners. The Township is also applying for a grant to put on outdoor concerts at the pavilion in the Village of Garden. This is being done through the parks and recreation program.

MANAGEMENT DISCUSSION AND ANALYSIS (continued):

The Township is also working on making the Township Hall handicap accessible. We are going to have a handicap accessible bathroom and the front door will be handicap accessible.

All these plans are being worked into our budget for the fiscal year 2008-2009. Other than that, our budget is pretty much the same as last year's fiscal budget.

CONTACTING THE TOWNSHIP'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers and customers, as well as investors and creditors with a general overview of the Township's finances and to show the Township's accountability for the revenues it receives. If you have questions about this report or need additional information, contact the Township Supervisor at the Garden Township Hall, P.O. Box 224, 6313 State Street, Garden, Michigan 49835.

TOWNSHIP OF GARDEN
STATEMENT OF NET ASSETS
March 31, 2008

	<u>Governmental Activities</u>
ASSETS	
Current assets:	
Cash and cash equivalents	
Unrestricted	\$ 359,382
Receivables	
Accounts Receivable	1,200
Taxes	13,763
Due from State	6,199
Prepaid expenses	<u>8,883</u>
Total current assets	<u>389,427</u>
Noncurrent assets:	
Capital assets, net of accumulated depreciation	<u>711,424</u>
Total assets	<u><u>\$ 1,100,851</u></u>
LIABILITIES	
Current liabilities:	
Accounts Payable	\$ 3,638
Payroll taxes payable	945
Long-term liabilities due within one year:	
Notes payable	<u>8,326</u>
Total current liabilities	<u>12,909</u>
Long-term liabilities:	
Notes payable	<u>8,782</u>
Total liabilities	<u>21,691</u>
NET ASSETS	
Invested in capital assets, net of related debt	694,316
Restricted for:	
Expendable:	
Hiawatha National Forest Road	50,940
Unrestricted	<u>333,904</u>
Total net assets	<u>1,079,160</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 1,100,851</u></u>

TOWNSHIP OF GARDEN
STATEMENT OF ACTIVITIES
For the Year Ended March 31, 2006

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenue</u>	<u>Net (Expense) Revenue and Change in Net Assets</u>
		<u>Fees, Fines and Charges for Services</u>	<u>Governmental Activities</u>
Primary government:			
Governmental activities:			
Legislative	\$ 2,778	\$ -	\$ (2,778)
General government	81,229	2,665	(78,564)
Public safety	46,802	4,433	(42,369)
Public works	81,045	5,995	(75,050)
Recreation and culture	2,499	-	(2,499)
Interest	1,566	7,859	6,293
Other	20,726	2,102	(18,624)
	<u>\$ 236,645</u>	<u>\$ 23,054</u>	<u>\$ (213,591)</u>
Total governmental activities	<u>\$ 236,645</u>	<u>\$ 23,054</u>	<u>\$ (213,591)</u>

General revenues:	
Property taxes	160,812
State revenue sharing	61,796
Grants	<u>5,250</u>
Total general revenues	<u>227,858</u>
Change in net assets	14,267
Net assets, beginning	<u>1,064,893</u>
Net assets, ending	<u>\$ 1,079,160</u>

See accompanying notes to financial statements

**TOWNSHIP OF GARDEN
BALANCE SHEET
GOVERNMENTAL FUNDS
March 31, 2008**

	Major Funds				
	General Fund	Fire Fund	Transfer Station	Hiawatha National Forest Road Fund	Total Governmental Funds
ASSETS					
Cash and equivalents:					
Unrestricted	\$ 110,492	\$ 91,984	\$ 105,966	\$ 50,940	\$ 359,382
Receivables					
Accounts Receivable	\$ -	\$ -	\$ 1,200	\$ -	1,200
Taxes	\$ 2,810	\$ 3,432	\$ 7,521	\$ -	13,763
Due from State	6,199	-	-	-	6,199
Prepaid expense	8,883	-	-	-	8,883
Total assets	<u>\$ 128,384</u>	<u>\$ 95,416</u>	<u>\$ 114,687</u>	<u>\$ 50,940</u>	<u>389,427</u>
LIABILITIES					
Accounts payable	2,358	-	1,280	-	\$ 3,638
Payroll taxes payable	<u>\$ 945</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 945</u>
Total liabilities	<u>\$ 3,303</u>	<u>\$ -</u>	<u>\$ 1,280</u>	<u>\$ -</u>	<u>\$ 4,583</u>
FUND BALANCES					
Unreserved:					
Designated	-	-	-	50,940	50,940
Undesignated	<u>125,081</u>	<u>95,416</u>	<u>113,407</u>	<u>-</u>	<u>333,904</u>
Total fund balances	<u>125,081</u>	<u>95,416</u>	<u>113,407</u>	<u>50,940</u>	<u>384,844</u>
Total liabilities and fund balances	<u>\$ 128,384</u>	<u>\$ 95,416</u>	<u>\$ 114,687</u>	<u>\$ 50,940</u>	<u>\$ 389,427</u>

See accompanying notes to financial statements.

TOWNSHIP OF GARDEN
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
March 31, 2008

Total fund balances for governmental funds	\$ 393,084
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Total net assets reported for governmental activities in the statement of net assets
is different because:

Capital assets used in governmental activities are not financial resources and
therefore are not reported in the funds. Those assets consist of:

Land	275,770	
Buildings	333,282	
Transfer station land improvement	3,101	
Transfer station equipment	4,500	
Furniture and equipment	34,349	
Transfer station vehicles	85,315	
Fire department vehicles	369,386	
Accumulated depreciation	<u>(394,279)</u>	
Total capital assets		711,424

Long-term liabilities applicable to the Township's governmental activities are not
due and payable in the current period and accordingly are not reported as
fund liabilities. All liabilities, both current and long-term, are reported in
the statement of net assets.

Notes payable	<u>(17,108)</u>
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Total net assets of governmental activities	<u><u>\$ 1,087,400</u></u>
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TOWNSHIP OF GARDEN
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
For the Year Ended March 31, 2008

	Major Funds				
	General Fund	Fire Fund	Transfer Station	Hiawatha National Forest Road Fund	Total Governmental Funds
REVENUES:					
Taxes	\$ 41,062	\$ 33,427	\$ 73,239	\$ 13,084	\$ 160,812
State sources	43,298	-	-	18,498	61,796
Charges for services	2,665	4,433	5,995	-	13,093
Grants	-	5,250	-	-	5,250
Interest and rentals	3,217	1,988	1,905	749	7,859
Other	2,083	19	-	-	2,102
Total revenues	92,325	45,117	81,139	32,331	250,912
EXPENDITURES:					
Legislative	2,778	-	-	-	2,778
General government	78,322	-	-	-	78,322
Public safety	7,988	19,708	-	-	27,696
Public works	1,350	-	54,184	24,123	79,657
Recreation and cultural	2,499	-	-	-	2,499
Debt service:					
Principal	-	6,872	7,892	-	14,765
Interest	-	191	1,375	-	1,566
Other	20,726	-	-	-	20,726
Total expenditures	113,663	26,771	63,451	24,123	228,009
Excess revenues (expenditures)	(21,338)	18,345	17,688	8,208	22,903
OTHER FINANCING SOURCES (USES)					
Operating transfer in	-	-	4,120	-	4,120
Operating transfer out	4,120	-	-	-	4,120
Total other financing sources	4,120	-	4,120	-	8,240
Net change in fund balance	(17,218)	18,345	21,808	8,208	31,143
Fund balances - beginning of year	142,299	77,071	99,839	42,732	361,941
Fund balances - end of year	\$ 125,081	\$ 95,416	\$ 121,647	\$ 50,940	\$ 393,084

See accompanying notes to financial statements.

TOWNSHIP OF GARDEN
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the Year Ended March 31, 2008

Net changes in fund balances - total governmental funds \$ 31,143

The change in net assets reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets are capitalized and the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays (\$7,896) exceeded depreciation expense (\$31,297). (23,401)

Repayment of principal is an expenditure in the governmental funds but reduces the liability in the Statement of Net Assets.

Principal repayments:

Note principal 14,765

Changes in net assets of governmental activities \$ 22,507

See accompanying notes to financial statements.

TOWNSHIP OF GARDEN
STATEMENT OF FIDUCIARY NET ASSETS
March 31, 2008

ASSETS

Cash and cash equivalents:

Unrestricted	<u>\$ 517</u>
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LIABILITIES

Undistributed taxes and interest:

Due to other governmental units	<u>\$ 517</u>
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See accompanying notes to financial statements.

TOWNSHIP OF GARDEN
NOTES TO FINANCIAL STATEMENTS
March 31, 2008

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Township's Statement of Net Assets includes the accounts and funds of all Township operations. The Township was organized under the provisions of the Michigan constitution. The Township is operated under a commission form of government and provides services in the following areas: roads, public improvements, fire safety, waste transfer station, and general administrative services.

The accounts of the Township have been maintained in accordance with the balanced fund principles of accounting for governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The financial statements have been prepared in accordance with GASB Statement 34, *Basic Financial Statements and management's Discussion and Analysis*. GASB 34 significantly changes financial reporting for governmental agencies by adding government-wide financial statements, and management's discussion and analysis. The following is a summary of the more significant policies and financial reporting descriptions:

- (1) Government-Wide Financial Statements - The Statement of Net Assets and Statement of Activities display information about the Township as a whole. They include all funds of the Township except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. The Township has no business-type activities.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include charges to customers or applicants who purchase, use or directly benefit from goods or services provided by a given function and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported as general revenues.

Fund Accounting – The accounts of the Township are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. Funds are organized into three major categories: governmental, proprietary and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. The General Fund is always considered a major fund and the remaining funds of the Township are considered major if it meets the following criteria:

- a. Total assets, liabilities, revenues or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- b. Total assets, liabilities, revenues or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

TOWNSHIP OF GARDEN
NOTES TO FINANCIAL STATEMENTS
March 31, 2008

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Township reports the following as major governmental funds in accordance with the above criteria:

General Fund – as described below;

Fire Fund – this fund accounts for the revenues and expenditures required to operate the Township's fire department.

Transfer Station Fund – this fund accounts for the revenues and expenditures required to collect and transfer solid waste from Township residents to the County landfill.

Hiawatha National Forest Road Fund – this fund accounts for the revenues and expenditures required to maintain the Hiawatha National Forest road.

The funds of the Township are described below:

GOVERNMENTAL FUNDS

General Fund – The General Fund is the general operating fund of the Township. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds – Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or major capital projects) that are legally restricted to expenditures for specific purposes.

FIDUCIARY FUNDS

Trust and Agency Funds – Trust and Agency Funds are used to account for assets held by the Township in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds. Trust and Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operation.

- (2) Basis of Accounting – Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The Government-wide financial statements use the economic resources measurement focus and the full accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized in the year in which they are levied.

Governmental fund financial statements are reported using the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available as net current assets. State shared revenues, charges for services and interest earnings are accrued since they are measurable and available. Revenues from federal and state grants received as reimbursements for specific purposes of projects are recognized when the expenditure is incurred.

TOWNSHIP OF GARDEN
NOTES TO FINANCIAL STATEMENTS
March 31, 2008

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. An exception to this general rule is principal and interest on general long-term debt, which is recognized when due.

- (3) Budgets and Budgetary Accounting – The following procedures are followed in establishing the budgetary data reflected in these financial statements:
- a. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Township Board for consideration.
 - b. The proposed budgets include expenditures as well as the methods of financing them.
 - c. Public hearings are held to obtain taxpayer comments.
 - d. The budgets are adopted at the activity level by a majority vote of the Township Board.
 - e. The budgets are adopted on the modified accrual basis of accounting.
 - f. The originally adopted budgets can be amended during the year only by a majority vote of the Township Board.
 - g. The adopted budgets are used as a management control device during the year for all budgetary funds.
 - h. Budget appropriations lapse at the end of each fiscal year.
 - i. The budgeted amounts shown in these financial statements are the originally adopted budgets with all amendments that were approved by the Township Board during the fiscal year.
- (4) Property Taxes – Property taxes levied attach as an enforceable lien on property. The Township bills and collects its own property taxes and also the taxes for the local school district, the Intermediate School District, and the County. Collections and remittances for all taxes are accounted for in the trust and agency fund. The Township 2007 tax roll millage rate was 3.4964 and the taxable value was \$33,212,380.
- (5) Capital Assets – capital assets, which include property, buildings, equipment and infrastructure assets, are reported in the governmental column in the government-wide financial statements. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. The Township has elected not to report, nor is it required to report, its major general infrastructure assets per GASB Statement No. 34.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend its life are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant, and equipment of the Township are depreciated using the straight-line method over the estimated useful lives of the assets.

TOWNSHIP OF GARDEN
NOTES TO FINANCIAL STATEMENTS
March 31, 2008

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- (6) Use of Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

NOTE B – CASH AND EQUIVALENTS

The composition of cash and equivalents as reported on the Statement of Net Assets for the Township are presented below:

	<u>Carrying Amount</u>	<u>Bank Balance</u>
Deposits:		
Insured (FDIC)	\$ 129,717	\$ 126,864
Uninsured	<u>230,182</u>	<u>355,604</u>
TOTAL OF CASH AND EQUIVALENTS	<u>\$ 359,899</u>	<u>\$ 482,468</u>
Government-Wide Statement of Net Assets presentation:		
Cash and equivalents:		
Unrestricted	\$ 359,382	
Fiduciary Statement of Net Assets presentation:		
Cash and equivalents:		
Unrestricted	<u>517</u>	
TOTAL	<u><u>\$ 359,899</u></u>	

Cash and cash equivalents consist solely of checking and saving account deposits.

Michigan statutes authorize the Township to invest in bonds, other direct obligations and repurchase agreements of the United States, certificates of deposit, savings accounts, deposit accounts or receipts of a bank which is a member of the FDIC, commercial paper, bankers' acceptances of United States banks, obligations of the State of Michigan and its political subdivisions, external investment pools, and certain mutual funds.

Attorney General's Opinion No. 6168 states that public funds may not be deposited in financial institutions located in states other than Michigan.

Interest Rate Risk. The Township carries no significant interest rate risk as all of its holdings are in bank accounts with a high degree of liquidity.

Credit Risk. State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations with a maximum maturity of 270 days. The Township has no investments in commercial paper.

TOWNSHIP OF GARDEN
NOTES TO FINANCIAL STATEMENTS
March 31, 2008

NOTE B – CASH AND EQUIVALENTS (Continued)

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure the Township's deposits may not be returned. At March 31, 2008, the Township held \$482,468 in deposits with financial institutions, in which \$355,604 was uninsured and uncollateralized. Although such deposits exceed federally insured limits, they are in the opinion of management, subject to minimal risk.

Concentration of Credit Risk. The Township has no significant concentration of credit risk due to the fact that its deposits are with area banks.

Foreign Currency Risk. The Township has no foreign currency risk as it has no deposits or investments in foreign currency.

All deposits for the Township are in accordance with statutory authority.

NOTE C – CAPITAL ASSETS

Capital asset activity for the year ended March 31, 2008, is as follows:

	Balance at 03/31/07	Additions	Disposals	Balance at 03/31/08
Governmental activities:				
Assets not subject to depreciation				
Land	\$ 275,770	\$ -	\$ -	\$ 275,770
Capital assets subject to depreciation				
Buildings	333,282	-	-	333,282
Transfer station land improvements	-	3,101	-	3,101
Transfer station equipment	4,500	-	-	4,500
Furniture and equipment	29,554	4,795	-	34,349
Transfer station vehicles	85,315	-	-	85,315
Fire department vehicles	369,386	-	-	369,386
Total capital assets subject to depreciation	822,037	7,896	-	829,933
Total capital assets	1,097,807	7,896	-	1,105,703
Less accumulated depreciation:				
Buildings	233,718	8,297	-	242,015
Transfer station land improvements	-	90	-	90
Transfer station equipment	4,500	-	-	4,500
Furniture and equipment	12,243	959	-	13,202
Transfer station vehicles	1,896	2,844	-	4,740
Fire department vehicles	110,625	19,107	-	129,732
Total accumulated depreciation	362,982	31,297	-	394,279
Net governmental activities capital assets	\$ 734,825	\$ (23,401)	-	\$ 711,424

TOWNSHIP OF GARDEN
NOTES TO FINANCIAL STATEMENTS
March 31, 2008

NOTE C – CAPITAL ASSETS (Continued)

Depreciation expense was charged to the governmental activities as follows:

General government	\$ 7,702
Public safety	19,107
Public works	<u>4,488</u>
 Total governmental activities depreciation expense	 <u><u>\$ 31,297</u></u>

NOTE D – LONG-TERM DEBT

The note payable reflected in the government-wide financial statements was incurred for the purchase of a Sterling Roll-Off truck. The original amount of the loan was \$25,000. The note is payable to State Savings Bank of Manistique, Michigan, in annual installments of \$9,267 including interest calculated at 5.5%. The note is secured by the truck.

The following is a summary of the note payable activity for the year:

	Balance 3/31/2007	Additions	Retirements	Balance 3/31/2008
Fire Truck	\$ 6,873	\$ -	\$ 6,873	\$ -
Roll-Off Truck	<u>25,000</u>	<u>-</u>	<u>7,892</u>	<u>17,108</u>
	<u><u>\$ 31,873</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 14,765</u></u>	<u><u>\$ 17,108</u></u>

A schedule of the principal and interest payments on this note is as follows:

Year	Principal	Interest	Total
3/31/2009	\$ 8,326	\$ 941	\$ 9,267
3/31/2010	<u>8,782</u>	<u>485</u>	<u>9,267</u>
Total	<u><u>\$ 17,108</u></u>	<u><u>\$ 1,426</u></u>	<u><u>\$ 18,534</u></u>

NOTE E – DESIGNATED FUND BALANCE

The designated fund balance in the Hiawatha National Forest Roads Fund is designated for the improvement of county roads and “right-of-way” improvements within the Township.

TOWNSHIP OF GARDEN
NOTES TO FINANCIAL STATEMENTS
March 31, 2008

NOTE F – RISK MANAGEMENT

The Township is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for property loss, torts and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

TOWNSHIP OF GARDEN
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended March 31, 2008

	Budgeted Amounts		Actual Amounts, (Budgetary Basis) (See Note A)	Variance with Final Budget- Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 45,600	\$ 48,120	\$ 41,062	\$ (7,058)
State sources	43,800	43,800	43,298	(502)
Charges for services	3,500	3,500	2,665	(835)
Interest and rentals	4,500	4,500	3,217	(1,283)
Other	44,227	44,227	2,083	(42,144)
Total revenues	<u>141,627</u>	<u>144,147</u>	<u>92,325</u>	<u>(51,822)</u>
EXPENDITURES:				
Legislative:				
Board of commissioners	2,700	2,700	2,778	(78)
General government:				
Supervisor	7,500	7,500	6,987	513
Clerk	7,925	7,925	7,350	575
Treasurer	8,785	8,785	8,535	250
Township hall & grounds	28,900	28,900	23,702	5,198
Elections	3,000	3,000	1,027	1,973
Board of review	1,700	1,785	1,785	-
Assessor	20,900	20,900	20,955	(55)
Cemetery	10,000	10,000	6,987	3,013
Contractual services	3,500	3,500	994	2,506
Public safety:				
Fire department	500	500	500	-
Ambulance	10,000	10,000	7,488	2,512
Public works:				
Street lighting	1,200	1,400	1,350	50
Recreation and culture:				
Recreation and parks	8,300	8,300	2,499	5,801
Other:				
Employee benefits	7,000	7,000	5,553	1,447
Insurance & bonds	10,900	10,900	12,294	(1,394)
Miscellaneous	2,517	2,517	2,879	(362)
Total expenditures	<u>135,327</u>	<u>135,612</u>	<u>113,663</u>	<u>21,949</u>
Excess revenues (expenditures)	<u>6,300</u>	<u>8,535</u>	<u>(21,338)</u>	<u>(29,873)</u>
OTHER FINANCING SOURCES (USES)				
Operating transfer in	<u>-</u>	<u>-</u>	<u>4,120</u>	<u>4,120</u>
Net change in fund balance	6,300	8,535	(17,218)	(25,753)
Fund balances - beginning	142,299	142,299	142,299	-
Fund balances - ending	<u>\$ 148,599</u>	<u>\$ 150,834</u>	<u>\$ 125,081</u>	<u>\$ (25,753)</u>

TOWNSHIP OF GARDEN
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FIRE FUND
For the Year Ended March 31, 2008

	Budgeted Amounts		Actual Amounts, (Budgetary Basis) (See Note A)	Variance with Final Budget- Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 32,748	\$ 39,140	\$ 33,427	\$ (5,713)
Charges for services	4,433	4,433	4,433	-
Grants	900	5,300	5,250	(50)
Interest	1,000	2,000	1,988	(12)
Miscellaneous	-	20	19	(1)
Total revenues	39,081	50,893	45,117	(5,776)
EXPENDITURES:				
Fire protection	20,300	21,670	19,708	1,962
Debt service				
Principal	6,809	6,909	6,872	37
Interest	191	191	191	(0)
Total expenditures	27,300	28,770	26,771	1,999
Excess revenues (expenditures)	11,781	22,123	18,345	(3,778)
OTHER FINANCING (USES)				
Operating transfer in	-	-	-	-
Net change in fund balance	11,781	22,123	18,345	(3,778)
Fund balances - beginning	77,071	77,071	77,071	-
Fund balances - ending	\$ 88,852	\$ 99,194	\$ 95,416	\$ (3,778)

TOWNSHIP OF GARDEN
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
TRANSFER STATION FUND
For the Year Ended March 31, 2008

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget-
	Original	Final	(See Note A)	Positive (Negative)
REVENUES:				
Taxes	\$ 71,747	\$ 71,747	\$ 73,239	\$ 1,492
Charges for services	6,500	6,500	5,995	(505)
Interest	2,000	2,000	1,905	(95)
Total revenues	80,247	80,247	81,139	892
EXPENDITURES:				
Transfer station services	62,600	71,850	54,184	17,666
Debt Service				
Principal	7,625	7,925	7,892	33
Interest	1,375	1,375	1,375	-
Total expenditures	71,600	81,150	63,451	17,699
Excess revenues (expenditures)	8,647	(903)	17,688	18,591
OTHER FINANCING SOURCES (USES)				
Operating transfer out	-	-	(4,120)	4,120
Net change in fund balance	8,647	(903)	13,568	14,471
Fund balances - beginning	99,839	99,839	99,839	-
Fund balances - ending	<u>\$ 108,486</u>	<u>\$ 98,936</u>	<u>\$ 113,407</u>	<u>\$ 14,471</u>

TOWNSHIP OF GARDEN
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
HIAWATHA NATIONAL FOREST ROAD FUND
For the Year Ended March 31, 2008

	Budgeted Amounts		Actual Amounts, (Budgetary Basis) (See Note A)	Variance with Final Budget- Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 14,000	\$ 14,000	\$ 13,084	\$ (916)
State Sources	18,200	18,200	18,498	298
Interest	500	500	749	249
Total revenues	32,700	32,700	32,331	(369)
EXPENDITURES:				
Road Services	24,500	25,000	24,123	877
Total expenditures	24,500	25,000	24,123	877
Net change in fund balance	8,200	7,700	8,208	508
Fund balances - beginning	42,732	42,732	42,732	-
Fund balances - ending	\$ 50,932	\$ 50,432	\$ 50,940	\$ 508



ANDERSON, TACKMAN & COMPANY, PLC

CERTIFIED PUBLIC ACCOUNTANTS

OFFICES IN MICHIGAN AND WISCONSIN

Kristine P. Berhow, CPA, Principal
Alan M. Stotz, CPA, Principal
Raymond B. LaMarche, CPA, Principal
Erkki M. Peippo, CPA, PC, Principal

Kevin C. Pascoe, CPA
Laura L. Schwalbach, CPA

REPORT TO MANAGEMENT

September 19, 2008

To the Township Board
Township of Garden
Delta County Michigan

We have audited the financial statements of the governmental activities and each major fund of the Township of Garden for the year ended March 31, 2008, and have issued our report thereon dated September 19, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated June 2, 2008, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

(Other Information in Documents Containing Audited Financial Statements)

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on June 2, 2008.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Township of Garden are described in Note A to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2008. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate(s) affecting the financial statements was:

Management's estimate of the depreciable lives of capital assets is based on management's judgment and historical lives of past assets. We evaluated the key factors and assumptions used to develop the depreciable lives of capital assets estimate in determining that it is reasonable in relation to the financial statements taken as a whole.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated September 19, 2008.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

During our audit we became aware of matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and recommendations regarding those matters. This letter does not affect our report dated September 19, 2008, on the financial statements of the Township of Garden.

This information is intended solely for the use of the Township Board and management of Garden Township and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in black ink that reads "Anderson, Tackman & Company P.C." in a cursive script.

Certified Public Accountants

Township of Garden

Comments and Recommendations

March 31, 2008

Segregation of Duties

There is an inadequate segregation of duties with respect to cash control. This is not an uncommon problem in townships of such a small size, however, we recommend that the board continue to review cash activity balances at each board meeting to operate as a control and check over cash activity.

Tax Account

We noted during our audit that the taxes collected were not always distributed timely during the fiscal year. MCL 211.43 Section 43(3)(a) of the General Property Tax Act requires tax collections to be delivered within ten business days after the first and fifteenth day of each month to the county treasurer in an amount equal to the total of the state and county tax collections on hand on the first and fifteenth day of that month. We recommend that the Township adhere to the requirements of the General Property Tax Act.

Year-End Accruals

Accruals for the delinquent tax settlement revenue and the state revenue sharing payments were not recorded at year-end. We recommend that these accruals be made in the future to properly accrue revenue in the appropriate year.



ANDERSON, TACKMAN & COMPANY, PLC

CERTIFIED PUBLIC ACCOUNTANTS

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Kevin C. Pascoe, CPA
Laura L. Schwalbach, CPA

To the Township Board and Management
of the Township of Garden, Michigan

In planning and performing our audit of the financial statements of the governmental activities and the major funds of the Township of Garden as of and for the year ended March 31, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered the Township of Garden's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township of Garden's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township of Garden's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies and other deficiencies that we consider to be material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies to be significant deficiencies in internal control.

- Management is unable to produce financial statements and the required disclosures in accordance with accounting principles generally accepted in the United States of America.
- A separation of duties between persons who authorize transactions and persons who have control over the related assets does not always exist.
- Material audit adjustments were required to the financial statements to properly accrue revenues.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We believe that the following deficiencies constitute material weaknesses:

- Management is unable to produce financial statements and the required disclosures in accordance with accounting principles generally accepted in the United States of America
- Material audit adjustments were required to the financial statements to properly accrue revenues.

This communication is intended solely for the information and use of management, Township Board, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

Anderson, Tackman & Company P.C.

Certified Public Accountants

September 19, 2008